



Report to the Auburn City Council

Action Item	14
Agenda Item No.	
City Manager's Approval	

To: Honorable Mayor and City Council Members
From: Robert Richardson, City Manager
Date: March 23, 2009
Subject: Cost Savings Plan for City Council, City Manager, Department Directors and Department Manager's consistent with current financial shortfalls.

The Issue

Shall the City Council approve staff's recommendation for the Cost Savings plan to reduce and adjust the salary for Elected Officials, City Manager, Department Directors and Department Managers by 10%, consistent with the current financial shortfalls and anticipated deficit in the City's operating budget during fiscal years 2008-2009, and 2009-2010?

Action Requested

1. By **RESOLUTION**, authorize the City Manager or his designee to reduce the current stipend payment for Elected Officials by 10%, beginning May 1, 2009, for the remainder of fiscal year 2008/09 and for all of fiscal year 2009/10, ending on June 30, 2010.
2. By **RESOLUTION**, authorize the City Manager or his designee to notify CalPERS of proposed changes to the manner by which the employee portion of CalPERS retirement premiums are paid to CalPERS effective May 1, 2009 through June 30, 2010.
3. By **RESOLUTION**, authorize the City Manager or his designee to amend Department Directors Agreements to reflect a reduction in salary of 10%, beginning May 1, 2009 through June 30, 2010.
4. By **RESOLUTION**, authorize the City Manager or his designee to reduce Department Managers salaries by 10%, beginning May 1, 2009, for the remainder of fiscal year 2008/09 and all of 2009/10, ending on June 30, 2010.
5. By **RESOLUTION**, amend the City Manager's contract, to reflect a reduction in salary of 10%, beginning May 1, 2009, for the remainder of fiscal year 2008/09 and all of 2009/10, ending on June 30, 2010.
6. By **RESOLUTION**, authorize the City Manager to implement the Cost Savings Plan for CalPERS employee contributions and Mandatory Time Off provisions, consistent with all applicable laws and regulations.

Background

As a means to address existing and future budgetary imbalances, and further, to mitigate any future local agency impacts associated with the State's budget deficit, the housing crisis and tightening credit markets, staff recommends the City Council approve actions as outlined in this memorandum. Although approval of the recommended actions will mitigate the amount of General Fund reserves required to balance future budgets, additional budgetary/reorganization actions may be required over the course of the next fifteen months.

The City's operating budget during fiscal years 2008-2009, and 2009-2010 is suffering a deficit due to reductions in revenues stemming from the current economic downturn being experienced worldwide. Upon approval, the City shall implement the recommended Cost Savings Plan for management and unrepresented employees effective the first pay period in May 2009.

The City shall calculate the portion of the forecasted budget deficit required to be offset by a commensurate reduction in employee salaries. The reduction to employee salaries will first be offset by employees assuming payment of the employee portion of CalPERS premiums currently paid by the City (currently 7% of salary for miscellaneous employees and 9% of salary for sworn safety employees). After assuming payment of the employee portion of the CalPERS premium, any remaining percentage amount shall be applied to mandatory time off (MTO) without pay during each of the fiscal years. The MTO time will be shown on the employees pay record and shall be maintained as unpaid time and used under the same procedures and conditions provided for the use of vacation time. Such CalPERS premiums assumed and MTO time shall not exceed ten percent (10%) of the employees' base salary.

The breakdown of PERS and MTO time is as follows, dependent upon employee group retirement benefits:

Sworn Safety Employees – 9% Employee PERS & 66 hours of MTO time
Miscellaneous Employees – 7% Employee PERS & 88 hours of MTO time

The City's budgeted net operational revenues will be reviewed each fiscal quarter, and if such forecasted revenues exceed forecasted expenditures by more than one percent of forecasted expenditures, the City shall first restore the reduction in Mandatory Time Off (MTO) time, and then restore the payment of the employee's obligation to PERS Retirement, to the extent of the improvement in its forecasted net revenues for the fiscal year. Any restoration of compensation shall be effective the first pay period following the City Council's approval of the negotiated restoration plan.

Over the course of the last several months, staff has been actively engaged in the evaluation of how to best ease the impact of the budget issues confronting the City. After several strategic discussions, staff recommends the City Council adopt the fiscal Cost Savings Plan as contained herein.

Alternatives Available to Council; Implications of Alternatives

1. Accept the Cost Savings Plan recommendations noted herein.
2. Modify the Cost Savings Plan recommendations pursuant to City Council discussion, which may result in a change to the fiscal impact.

Fiscal Impact

As previously stated, budgetary and reorganization actions recommended herein serve to address existing and future budgetary imbalances, and further, to mitigate any future local agency impacts associated with the State's budget deficit. Approval of all recommended actions results in an estimated General Fund cost reduction of:

Fiscal Year 2008-09	\$ 25,000
Fiscal Year 2009-10	\$ 150,000

1 RESOLUTION NO. 09-

2 RESOLUTION authorizing the City Manager or his designee to reduce the
3 current stipend for Elected Officials by 10%, beginning May 1, 2009, for the
4 remainder of fiscal year 2008/09 and all of 2009/10, ending on June 30, 2010.

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6 THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

7 The City Council of the City of Auburn by RESOLUTION authorize the City
8 Manager or his designee to reduce the current stipend for Elected Officials by
9 10%, beginning May 1, 2009, for the remainder of fiscal year 2008/09 and all
10 of 2009/10, ending on June 30, 2010

11
12 COST SAVINGS PLAN

13 WHEREBY The City's operating budget is entirely dependent upon the economic
14 conditions that prevail in the community and legislative actions of the State of
15 California. Given the continuing severe economic recession, and its
16 unpredictable impact on the City budgeted revenues and expenditures, the City
17 Council approves the following Cost Savings Plan for a reduction in stipend of
18 10% to Elected Officials:

19
20 REDUCTION IN STIPEND

21 The City's operating budget during fiscal years 2008-2009, and 2009-2010 is
22 suffering a deficit due to shortfalls in its forecasted revenues for such fiscal
23 years. The City shall implement the following Cost Savings Plan to go into
24 effect for Elected Officials the first pay period in May 2009;

25
26 The City shall calculate the amount of the forecasted budget deficit necessary
27 to be made up by a corresponding reduction in stipend to arrive at a
28 percentage reduction amount for each elected official.

1 The City's fiscal status will be reviewed each fiscal quarter, and if such
2 forecasted revenues exceed forecasted expenditures by more than one percent
3 of forecasted expenditures, the City shall restore the reduction in stipend, to
4 the extent of the improvement in its forecasted net revenues for the fiscal
5 year. Any restoration of compensation shall be effective the first pay period
6 following the City Council's review of quarterly budget and adoption of a
7 restoration plan.

8
9 DATED: March 23, 2009

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11
12 Mike Holmes, Mayor

13
14 ATTEST:

15 Joseph G. R. Labrie, City Clerk

16
17 I, Joseph Labrie, City Clerk of the City of Auburn, hereby certify that the
18 foregoing resolution was duly passed at a regular meeting of the City Council
19 of the City of Auburn held on the 23rd day of March 2009 by the following
20 vote on roll call:

21
22 Ayes:

23 Noes:

24 Absent:

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26 Joseph G. R. Labrie, City Clerk

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RESOLUTION NO. 09-

RESOLUTION authorizing the City Manager or his designee to notify CalPERS of proposed changes to the manner by which the employee portion of CalPERS retirement premiums are paid to CalPERS effective May 1, 2009 through June 30, 2010.

THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:
The City Council of the City of Auburn by RESOLUTION authorize the City Manager to notify CalPERS of proposed changes to the manner by which the employee portion of CalPERS retirement premiums are paid to CalPERS, consistent with the Cost Savings Plan and PERS Contribution Savings Plan, effective May 1, 2009 through June 30, 2010.

DATED: March 23, 2009

Mike Holmes, Mayor

ATTEST:

Joseph G. R. Labrie, City Clerk

I, Joseph Labrie, City Clerk of the City of Auburn, hereby certify that the foregoing resolution was duly passed at a regular meeting of the City Council of the City of Auburn held on the 23rd day of March 2009 by the following vote on roll call:

Ayes:

Noes:

Absent:

Joseph G. R. Labrie, City Clerk

1 RESOLUTION NO. 09-

2 RESOLUTION AUTHORIZING authorize the City Manager or his designee to
3 amend Department Directors Agreements to reflect a reduction in salary of
4 10%, beginning May 1, 2009 through June 30, 2010

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6 THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

7 The City Council of the City of Auburn by RESOLUTION authorize the City
8 Manager or his designee to amend Department directors agreements to reflect
9 a reduction in salary of 10% beginning May 1, 2009, through June 30, 2010.
10

11 COST SAVINGS PLAN

12 The City's operating budget is entirely dependent upon the economic
13 conditions that prevail in the community and legislative actions of the State of
14 California. Given the continuing severe economic recession, and its
15 unpredictable impact on the City budgeted revenues and expenditures, the City
16 Council approves the following Cost Savings Plan for Department Directors:
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18 PERS CONTRIBUTION/MANDATORY TIME OFF (MTO)

19 The City's operating budget during fiscal years 2008-2009, and 2009-2010 is
20 suffering a deficit due to shortfalls in its forecasted revenues for such fiscal
21 years. The City shall implement the following Cost Savings Plan to go into
22 effect for Department Directors the first pay period in May 2009;
23

24 The City shall calculate the amount of the forecasted budget deficit necessary
25 to be made up by a corresponding reduction in citywide salaries to arrive at a
26 percentage reduction amount for each employee. The employee may elect to
27 pay the employee's obligation to the PERS retirement Plan currently paid by
28 the City (the employee portion), with any remaining percentage amount being

1 applied to mandatory time off (MTO) without pay during each of the fiscal
2 years. The MTO time will be shown on the employees pay record and shall be
3 maintained as unpaid time and used under the same procedures and conditions
4 provided for the use of vacation time. The combination of such PERS
5 reductions and MTO time shall not exceed ten percent (10%) of the employees'
6 base salary.

7
8 The City's fiscal status will be reviewed each fiscal quarter, and if such
9 forecasted revenues exceed forecasted expenditures by more than one percent
10 of forecasted expenditures, the City shall first restore the reduction in MTO
11 time, followed by a restoration of the payment of the employee's obligation to
12 PERS Retirement, to the extent of the improvement in its forecasted net
13 revenues for the fiscal year. Any restoration of compensation shall be effective
14 the first pay period following the City Council's review of quarterly budget and
15 adoption of a restoration plan.

16
17 MTO time cannot be taken until the pay period following the deduction in salary
18 and the resulting MTO time is accrued. This Cost Savings Plan use of MTO time
19 shall not affect current vacation or sick leave accrual rates.

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23 DATED: MARCH 23, 2009

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25 _____
26 MIKE HOLMES, MAYOR
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28

1
2 ATTEST:

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4 _____
5 Joseph G. R. Labrie, City Clerk

6 I, Joseph Labrie, City Clerk of the City of Auburn, hereby certify that the
7 foregoing resolution was duly passed at a regular meeting of the City Council
8 of the City of Auburn held on the 23rd day of March 2009 by the following
9 vote on roll call:

10
11 Ayes:

12 Noes:

13 Absent:

14 _____
15 Joseph G. R. Labrie, City Clerk
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1 RESOLUTION NO. 09-

2 RESOLUTION AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO
3 REDUCE DEPARTMENT MANAGERS SALARIES BY 10%, BEGINNING MAY 1,
4 2009, FOR THE REMAINDER OF FISCAL YEAR 2008/09 AND ALL OF 2009/10,
5 ENDING ON JUNE 30, 2010.

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7 THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

8 The City Council of the City of Auburn by RESOLUTION authorize the City
9 Manager or his designee to reduce Department Managers salaries by 10%,
10 beginning May 1, 2009, for the remainder of fiscal year 2008/09 and all of
11 2009/10, ending on June 30, 2010.

12
13 COST SAVINGS PLAN

14 WHEREBY The City's operating budget is entirely dependent upon the economic
15 conditions that prevail in the community and legislative actions of the State of
16 California. Given the continuing severe economic recession, and its
17 unpredictable impact on the City budgeted revenues and expenditures, the City
18 Council approves the following Cost Savings Plan for management employees:

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20 PERS CONTRIBUTION/MANDATORY TIME OFF (MTO)

21 The City's operating budget during fiscal years 2008-2009, and 2009-2010 is
22 suffering a deficit due to shortfalls in its forecasted revenues for such fiscal
23 years. The City shall implement the following Cost Savings Plan to go into
24 effect FOR management employees the first pay period in May 2009;

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26 The City shall calculate the amount of the forecasted budget deficit necessary
27 to be made up by a corresponding reduction in citywide salaries to arrive at a
28 percentage reduction amount for each employee. The employee may elect to

1 pay the employee's obligation to the PERS retirement Plan currently paid by
2 the City (the employee portion), with any remaining percentage amount being
3 applied to mandatory time off (MTO) without pay during each of the fiscal
4 years. The MTO time will be shown on the employees pay record and shall be
5 maintained as unpaid time and used under the same procedures and conditions
6 provided for the use of vacation time. The combination of such PERS
7 reductions and MTO time shall not exceed ten percent (10%) of the employees'
8 base salary.

9
10 The City's fiscal status will be reviewed each fiscal quarter, and if such
11 forecasted revenues exceed forecasted expenditures by more than one percent
12 of forecasted expenditures, the City shall first restore the reduction in MTO
13 time, followed by a restoration of the payment of the employee's obligation to
14 PERS Retirement, to the extent of the improvement in its forecasted net
15 revenues for the fiscal year. Any restoration of compensation shall be effective
16 the first pay period following the City Council's review of quarterly budget and
17 adoption of a restoration plan.

18
19 MTO time cannot be taken until the pay period following the deduction in salary
20 and the resulting MTO time is accrued. This Cost Savings Plan use of MTO time
21 shall not affect current vacation or sick leave accrual rates.

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24 DATED: March 23, 2009

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Mike Holmes, Mayor

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2
3 ATTEST:
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5 _____
6 Joseph G. R. Labrie, City Clerk

7 I, Joseph Labrie, City Clerk of the City of Auburn, hereby certify that the
8 foregoing resolution was duly passed at a regular meeting of the City Council
9 of the City of Auburn held on the 23rd day of March 2009 by the following
10 vote on roll call:
11

12 Ayes:

13 Noes:

14 Absent:
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16 _____
17 Joseph G. R. Labrie, City Clerk
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1 RESOLUTION NO. 09-

2 RESOLUTION amending the City Manager's contract, to reflect a reduction in
3 salary of 10%, beginning May 1, 2009, for the remainder of fiscal year
4 2008/09 and all of 2009/10, ending on June 30, 2010.

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6 THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

7 The City Council of the City of Auburn by RESOLUTION amend the City
8 Manager's contract, to reflect a reduction in salary of 10%, beginning May 1,
9 2009, for the remainder of fiscal year 2008/09 and all of 2009/10, ending on
10 June 30, 2010

11
12 COST SAVINGS PLAN

13 WHEREBY The City's operating budget is entirely dependent upon the economic
14 conditions that prevail in the community and legislative actions of the State of
15 California. Given the continuing severe economic recession, and its
16 unpredictable impact on the City budgeted revenues and expenditures, the City
17 Council approves the following Cost Savings Plan for City Manager, Robert
18 Richardson:

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20 PERS CONTRIBUTION/MANDATORY TIME OFF (MTO)

21 The City's operating budget during fiscal years 2008-2009, and 2009-2010 is
22 suffering a deficit due to shortfalls in its forecasted revenues for such fiscal
23 years. The City shall implement the following Cost Savings Plan to go into
24 effect for the City Manager the first pay period in May 2009;

25
26 The City shall calculate the amount of the forecasted budget deficit necessary
27 to be made up by a corresponding reduction in citywide salaries to arrive at a
28 percentage reduction amount for each employee. The employee may elect to

1 pay the employee's obligation to the PERS retirement Plan currently paid by
2 the City (the employee portion), with any remaining percentage amount being
3 applied to mandatory time off (MTO) without pay during each of the fiscal
4 years. The MTO time will be shown on the employees pay record and shall be
5 maintained as unpaid time and used under the same procedures and conditions
6 provided for the use of vacation time. The combination of such PERS
7 reductions and MTO time shall not exceed ten percent (10%) of the employees'
8 base salary.

9
10 The City's fiscal status will be reviewed each fiscal quarter, and if such
11 forecasted revenues exceed forecasted expenditures by more than one percent
12 of forecasted expenditures, the City shall first restore the reduction in MTO
13 time, followed by a restoration of the payment of the employee's obligation to
14 PERS Retirement, to the extent of the improvement in its forecasted net
15 revenues for the fiscal year. Any restoration of compensation shall be effective
16 the first pay period following the City Council's review of quarterly budget and
17 adoption of a restoration plan.

18
19 MTO time cannot be taken until the pay period following the deduction in salary
20 and the resulting MTO time is accrued. This Cost Savings Plan use of MTO time
21 shall not affect current vacation or sick leave accrual rates.
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24 DATED: March 23, 2009
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Mike Holmes, Mayor
28

1
2 ATTEST:

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4 _____
5 Joseph G. R. Labrie, City Clerk

6 I, Joseph Labrie, City Clerk of the City of Auburn, hereby certify that the
7 foregoing resolution was duly passed at a regular meeting of the City Council
8 of the City of Auburn held on the 23rd day of March 2009 by the following
9 vote on roll call:

10
11 Ayes:

12 Noes:

13 Absent:

14 _____
15 Joseph G. R. Labrie, City Clerk
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1 RESOLUTION NO. 09-
2 RESOLUTION authorize the City Manager to implement the Cost Savings Plan
3 for CalPERS employee contributions and Mandatory Time Off provisions,
4 consistent with all applicable laws and regulations.
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6 THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:
7 The City Council of the City of Auburn by RESOLUTION authorize the City
8 Manager to implement the Cost Savings Plan for CalPERS employee
9 contributions and Mandatory Time Off provisions, consistent with all applicable
10 laws and regulations
11
12 COST SAVINGS PLAN
13 WHEREBY The City's operating budget is entirely dependent upon the economic
14 conditions that prevail in the community and legislative actions of the State of
15 California. Given the continuing severe economic recession, and its
16 unpredictable impact on the City budgeted revenues and expenditures, the City
17 Council approves the following Cost Savings Plan:
18
19 PERS CONTRIBUTION/MANDATORY TIME OFF (MTO)
20 The City's operating budget during fiscal years 2008-2009, and 2009-2010 is
21 suffering a deficit due to shortfalls in its forecasted revenues for such fiscal
22 years. The City shall implement the following Cost Savings Plan to go into
23 effect the first pay period in May 2009;
24
25 The City shall calculate the amount of the forecasted budget deficit necessary
26 to be made up by a corresponding reduction in citywide salaries to arrive at a
27 percentage reduction amount for each employee. The employee may elect to
28 pay the employee's obligation to the PERS retirement Plan currently paid by

1 the City (the employee portion), with any remaining percentage amount being
2 applied to mandatory time off (MTO) without pay during each of the fiscal
3 years. The MTO time will be shown on the employees pay record and shall be
4 maintained as unpaid time and used under the same procedures and conditions
5 provided for the use of vacation time. The combination of such PERS
6 reductions and MTO time shall not exceed ten percent (10%) of the employees'
7 base salary.

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9 The City's fiscal status will be reviewed each fiscal quarter, and if such
10 forecasted revenues exceed forecasted expenditures by more than one percent
11 of forecasted expenditures, the City shall first restore the reduction in MTO
12 time, followed by a restoration of the payment of the employee's obligation to
13 PERS Retirement, to the extent of the improvement in its forecasted net
14 revenues for the fiscal year. Any restoration of compensation shall be effective
15 the first pay period following the City Council's review of quarterly budget and
16 adoption of a restoration plan.

17
18 MTO time cannot be taken until the pay period following the deduction in salary
19 and the resulting MTO time is accrued. This Cost Savings Plan use of MTO time
20 shall not affect current vacation or sick leave accrual rates.

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23 DATED: March 23, 2009

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Mike Holmes, Mayor
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1 ATTEST:

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3 _____
4 Joseph G. R. Labrie, City Clerk

5 I, Joseph Labrie, City Clerk of the City of Auburn, hereby certify that the
6 foregoing resolution was duly passed at a regular meeting of the City Council
7 of the City of Auburn held on the 23rd day of March 2009 by the following
8 vote on roll call:

9
10 Ayes:

11 Noes:

12 Absent:

13 _____
14 Joseph G. R. Labrie, City Clerk
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